ANNUAL REPORT 2016

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO / CONSEIL DES EXPERTS-COMPTABLES DE LA PROVINCE DE L'ONTARIO

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ABOUT THE COUNCIL

The Public Accountants Council for the Province of Ontario (the Council) is a corporation without share capital that was continued under the *Public Accounting Act, 2004* (Act). The Council is accountable to the Attorney General, Government of Ontario (Minister).

The purpose of the Council is to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services.

Public accounting is the business of expressing independent assurance and certain other services in respect of financial statements and other financial information of enterprises where it can reasonably be expected that the services will be relied upon or used by a third party.

The Council is responsible for:

- developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;
- determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;
- overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and
- maintaining public confidence in public accounting through the appropriate prosecution of offences under the Act.

As of December 13, 2016, being the date on which this Annual Report was approved by the Council, the Designated Bodies named in the Act are the:

- Certified General Accountants Association of Ontario (CGAO)
- Certified Management Accountants of Ontario (CMAO)
- Chartered Professional Accountants of Ontario (CPA Ontario)[1]

Upon the Council being satisfied that a Designated Body meets the Council's Standards, the Council may provide written authorization to the Designated Body to license and govern its members as public accountants. A Designated Body that has received such authorization is an Authorized Designated Body.

As of January 2012, all the Designated Bodies were approved as Authorized Designated Bodies.

On April 1, 2014 CMAO and CPA Ontario executed a Unification Agreement and all members of CMAO became members of CPA Ontario, at which time it also assumed all responsibilities to govern the activities of its CMAO members. Effective that same day, CMAO, which had not issued a public accounting licence, resigned its authorization to license and govern the activities of its members as public accountants.

[1] Formerly known as the Institute of Chartered Accountants of Ontario, and named as such in the Act.

Similarly, on July 2, 2014 CGAO and CPA Ontario executed a Unification Agreement and all members of CGAO became members of CPA Ontario, at which time it also assumed all responsibilities to govern the activities of its CGAO members. Effective that same day, CGAO resigned its authorization to license and govern the activities of its members as public accountants.

THE COUNCIL STANDARDS

The Council Standards were approved in their initial form on June 20, 2006, amended and restated as of July 11, 2012, and further amended and restated as of December 24, 2012 and January 8, 2014. These require a Designated Body that seeks to be authorized to license and govern the activities of its members as public accountants to meet certain minimum standards relating to its:

- education, examination and practical experience requirements;
- rules of professional conduct, mandatory practice inspections of public accountants, the use of generally accepted accounting principles and generally accepted auditing and assurance standards, discipline procedures, the issuing of new licences to former licensees, the issuing of licences to persons who are permitted to practise in other jurisdictions, and mandatory professional liability insurance; and
- governance standards respecting the licensing and governing of the activities of its members as public accountants.

Council Guidelines are also issued when it is deemed necessary or desirable to assist in carrying out or facilitating any of the purposes of the Act. Council Standards and Guidelines are published on the Council's website, at www.pacont.org.

KEY ACTIVITIES OF THE COUNCIL

Key activities of the Council during its 2016 fiscal year (November 1, 2015 - October 31, 2016) and up to the date (December 13, 2016) when the Council approved this Annual Report were:

The Changing Environment for Public Accounting in Ontario

Council has been fulfilling the requirements under the Act since it became effective on November 1, 2005. As mentioned above, as of January 2012, the three Designated Bodies were, after thorough, transparent and consistent examination, authorized to issue public accounting licences. The "superior quality" public accounting standards called for under the Act, besides being vigilantly maintained, have been updated to reflect domestic and international best practice.

At the same time, the public accounting environment that Council was established to oversee for Ontario has undergone significant change that may mean change for the Council's role in the future.

As a result of the unification, the three Designated Bodies now operate under one banner as Chartered Professional Accountants (CPA). At present all members of the three bodies now carry a CPA designation in addition to their legacy designation.

CPA Ontario, working with CPA Canada and the professional accounting bodies in the other provinces and territories, has essentially completed the process of developing public accounting standards that meet current legislative requirements in Ontario for applicants who have earned the majority of their education

qualifying credits through post-secondary education institutions. The Council's independent Evaluation Team has issued a series of reports of its findings to date on these revised public accounting standards for CPA Ontario. In view of the fact that the examinations that qualify for public accounting licensure will of necessity be conducted for the first time as they are approved, certain monitoring and review procedures will be implemented as candidates complete the licensure program.

For members of provincial CPA bodies who have not previously completed an approved public accounting pathway, the Post-Designation Public Accounting (PDPA) pathway has been developed to establish the education and examination requirements to be fulfilled for public accounting licensing eligibility. The PDPA has been approved in principle by the Council subject to the Council's Evaluation Team reviewing, and the Council approving, the adequacy of the education module and the examination.

A parallel program of public accounting standards called CPA preparatory courses has been developed for aspiring accountants who are lacking some or all of the prerequisites required for admission to the CPA Professional Education Program (PEP). These online and classroom courses are designed to deliver the prerequisite subject area coverage needed for admission to the CPA PEP. The CPA preparatory course materials and examinations have not yet been delivered to the Council's Evaluation Team for its review.

As discussed in previous Annual Reports, the impact of the 2012 Agreement on Internal Trade Labour Mobility Panel (AIT) decision, disallowing Ontario's exception for public accounting, and the unification of the three Designated Bodies, combined with a government-wide review of all agencies, boards and tribunals, allowed the Ontario Government to revisit the role played by the Council in its oversight of public accounting in Ontario. While the Council continues to fulfill the responsibilities laid down by its legislation, the Government of Ontario and the Council jointly engaged the consulting firm of Promontory Financial Services Group Canada (Promontory) to undertake a study of the future role of the Council. The report from Promontory was delivered in March 2015 and has been reviewed with the Ministry of the Attorney General (Ministry).[2]

The review of the mandate of the Council has been completed by the Government, as of May 2016. The Promontory recommendations to continue the mandate of the Council were accepted, including reducing its size. In addition, the Government has requested a report by the end of its March 2018 fiscal year on the status of the consolidation of the accounting bodies and its implications for the future of the Council.

Meanwhile, by virtue of attrition in its membership and in keeping with Promontory's recommendation, by December 2016 the size of the Council was reduced to 13 members, with a majority of independent members remaining. Council expects that in 2017 its size will be further reduced to 11 members, subject to future government direction.

Oversight of the Assessment of Substantial Equivalence

The Evaluation Team previously completed its assessment of the substantial equivalence of the public accounting standards of the Designated Bodies to the Council Standards, as discussed in prior Annual Reports.

CPA Ontario has been an Authorized Designated Body since November 1, 2006. With the unification of the designated bodies, CPA Ontario is now managing all of the qualification programs for Ontario public

[2] Promontory Financial Group Canada ULC, Advice on Future Role of Public Accounting Oversight in the Province of Ontario, Prepared for The Public Accountants Council for the Province of Ontario, February 27, 2015. http://pacont.org/index.php?id=2

accounting applicants. New programs relating to Council Standards 2 through 6 which cover education, pre-licensing experience and examinations have been under development in conjunction with CPA Canada and were rolled out in 2015. The Evaluation Team has been working with representatives from CPA Ontario and CPA Canada to complete its assessment of the substantial equivalence of these programs to the Council Standards. This evaluation work is now essentially completed save certain monitoring work by the Evaluation Team that will need to be done for courses and examinations that are being conducted for the first time.

Monitoring and Oversight of Authorized Designated Bodies

The Council is required under the Act to conduct reviews of the operations of each Authorized Designated Body at least once every three years and to report on them to the Minister.

The Council has continued to implement the above required reviews. By virtue of the unification of the three Authorized Designated Bodies and the surrender by CGAO and CMAO of their authorization status, since July 2, 2014, these reviews have only been required for CPA Ontario.

Three triennial reviews were completed for CPA Ontario for the periods ending October 31, 2009, 2012 and 2015. These reports found that CPA Ontario was in substantial compliance with all the Council Standards. The next scheduled triennial review will be conducted in 2019 for the three-year period ending October 31, 2018.

Further to this, the Council has determined that there is merit in conducting, on a reduced scale from the triennial review exercise, annual monitoring and reporting reviews of the standards-related activities of Authorized Designated Bodies for those years when a triennial review is not required. To date, these reports have found no evidence that an Authorized Designated Body was not materially in compliance with Council Standards.

The annual and triennial reports, once accepted by the Council, are submitted to the Minister and published on the Council website.

In addition to the above triennial and annual reviews for Authorized Designated Bodies, the Council is authorized to conduct special reviews of an Authorized Designated Body if it concludes that it is in the public interest to do so. The report on one such review was accepted by the Council in January 2011.

Amendment to Council Guideline No. 2010-6

Council Guideline No. 2010-6 (Guideline-6) was adopted by Council in June 2010 to provide for a time-limited transitional bridging program for members of a newly authorized designated body who have had substantial involvement in public accounting but may not meet all of the post-secondary education requirements, pre-licensing education and study requirements, and/or pre-licensing experience requirements of the Council Standards.

Guideline-6 stipulated that the deadline for filing applications thereunder was within 24 months after a designated body has become an authorized designated body.

Council amended Guideline-6 at its meeting in March 2016, for the benefit of a limited number of CPA Ontario legacy CGAO members, by extending the deadline to (i) May 31, 2016 for the filing of an application; (ii) December 31, 2018 to fulfill the public accounting experience requirements and (iii) July 2, 2019 to fulfill all other requirements and necessary qualifications set out in the Guideline.

Complaints

Prosecutions

The Council is responsible for maintaining confidence in public accounting through appropriate prosecution of offences under the Act.

In this respect, the Council receives complaints about individuals who may be providing public accounting services without a licence. These complaints are investigated and followed up individually for action. The complaints have ranged over the past few years from those relating primarily to non-licensed individuals advertising their services under captions for public accounting to ones concerning non-licensed individuals issuing audit or review engagement reports in situations where it can be reasonably expected that there will be third party reliance on those reports. Many of these situations are dealt with by having the individual sign an undertaking to cease the offending activity.

If it is determined that an undertaking would be insufficient deterrent for the individual to cease the offending activity, the Council may initiate a private prosecution under the *Provincial Offences Act*.

The complaints and prosecution activities for the past three fiscal years are summarized as follows:

	2016	2015	2014
Complaints outstanding at beginning of year	-	1	-
New complaints received during the year	1	-	3
Complaints resolved, including through voluntary undertakings	-	1	2
Complaints resolved through private prosecution	-	-	-
Complaints outstanding at end of year	1	-	1

Information regarding convictions is published on the Council's website under *Statutory Offences*.

Section 22 Reviews

A member of the public who is not satisfied with the manner in which a complaint about the conduct of a Licensed Public Accountant was handled by the licensing Authorized Designated Body, may under *section 22* of the Act request the Council to review the licensing body's handling of the complaint. The member of the public must first have made a complaint to the licensing body and exhausted the internal procedures of the licensing body for the handling of the complaint, including the licensing body's independent review mechanisms.

The Council's ability to address a request for a review made pursuant to *section 22* is limited to deciding whether to recommend that the licensing body investigate the complaint more fully. The Council's ability to review does not extend to decisions of the licensing body's disciplinary or appeal committees.

During the 2016 fiscal year the Council received no requests for a *section 22* review. One request for a *section 22* review was received in November 2016 and is being followed up.

It is noteworthy that the occurrence of complaints and the requests for Section 22 reviews have continued to decline in the past two years. The Council has not attempted to determine the factors that might be influencing this trend but it may be partly indicative of the success that the Council has had to date with its prosecutions and other means to protect the public.

GOVERNANCE

Composition of the Council

In accordance with the regulations enacted under the Act, the Council is comprised of 17 Members:

- Nine Members appointed by the Lieutenant Governor in Council
- Two Members appointed by the Certified General Accountants Association of Ontario
- Two Members appointed by the Certified Management Accountants of Ontario
- Four Members appointed by Chartered Professional Accountants of Ontario.

Each Member of the Council holds office for a term of up to three years from the date of appointment and may be reappointed for up to four additional terms.

The Chair and Vice-Chair of the Council are appointed by the Lieutenant Governor in Council and hold office for two years from the date of appointment or until their successor is appointed. The Chair and Vice-Chair may be reappointed for an additional term. The Vice-Chair may be appointed as Chair for up to two terms in addition to any terms the person may have served as Vice-Chair.

There are four vacancies on the Council as of December 13, 2016 being the date on which this Annual Report was approved by the Council. The current roster of members includes seven appointments by the Lieutenant Governor in Council and six by the accounting bodies. In keeping with one of the recommendations of the Promontory Report, as noted on page 4 of this Annual Report, that the Council size be reduced, these vacancies are not being filled.

Appointment of the Chair and Vice-Chair

Michael Bryant was appointed as Chair of the Council effective February 19, 2014. Mr. Bryant's term was renewed in 2016 for an additional term ending February 18, 2018. Shoba Khetrapal has been the Vice-Chair of Council since December 21, 2013. Ms. Khetrapal's term as Vice-Chair will expire on December 20, 2016. As at the date of this Annual Report Ms. Khetrapal's successor has not been appointed by Order in Council. In accordance with the provisions of subsection 26 (2) of the Act, she continues to serve as Vice-Chair of the Council until her successor is appointed

Officers

The Council's Officers are:

Chair:	Michael Bryant
Vice-Chair:	Shoba Khetrapal
Chief Executive Officer:	Keith Bowman
Secretary:	Michael Bryant

Performance Reviews

The Council has established a performance review process. Performance reviews of the Council and its committees and Council Members are conducted every two years. The most recent performance reviews of the Council Members, Council and its committees were completed for the two years fiscal year ended in 2016. Performance reviews of the Chair and the Chief Executive Officer are conducted annually.

Compensation Framework

The compensation of the Members of the Council, including the Chair and Vice-Chair, is determined by Order of the Lieutenant Governor in Council made under the Act.

Members of the Council, with the exception of the Chair and the Vice-Chair, are compensated in accordance with the following framework:

- Meeting Attendance Fee: $700 per meeting ($350 for meetings under three hours)
- Preparation Time: $700 per meeting ($350 for meetings under three hours)
- Travel Time: $100 per hour*

* Payable to Members of the Council (other than the Chair) who are required to travel beyond 40 kilometers (one-way) to attend a meeting.

The compensation of the Chair is $166,666 per annum.

The compensation of the Vice-Chair is $1,000 per meeting attended ($500 for meetings under three hours) and $1,000 for preparation time per meeting ($500 for meetings under three hours).

All Council Members, including the Chair and the Vice-Chair, are reimbursed for related travel and out-of-pocket expenses.

Succession Planning

The Council is not empowered under the Act to appoint its directors (who are referred to in the Act as Council Members) or its Chair or Vice-Chair.

As noted on page 4, the Council currently has 13 members, seven of whom are appointees of the Lieutenant Governor in Council and six of whom are appointees of the Designated Bodies. These entities are collectively referred to as the "appointing bodies".

In the past, and in an effort to ensure that Council Members are experienced and qualified, the Council, with the input of the appointing bodies, developed a Council Member Profile and a template to be used to assess the competency and diversity of the individual Council Members and of potential appointees to the Council. The information that is gathered is used to prepare a Competency and Diversity Matrix to assess the overall strength of the skills and diversity of the Council Members and to identify any gaps for the purpose of assisting the appointing bodies in their selection of persons to replace retiring Council Members and to fill any vacancies. The Council takes an active role in assessing the qualifications of the nominees for appointment to the Council by the Lieutenant Governor in Council. It uses the network of contacts available to its Members in a systematic way so as to contribute to the pool of potential candidates eligible for appointment by the Lieutenant Governor in Council, and it also works closely with the Public Appointments Secretariat of the Government of Ontario to see to it that such appointments meet the above criteria.

Following eleven years of service on the Council, the term of office for Collen Gibb, Ralph Neville, Erik Peters and Michael Walke ended on October 31, 2016. Council Chair, Michael Bryant wishes to thank each of them for their dedication and commitment to the organization. Their knowledge and contribution to the development of Council's Standards, polices and processes in pursuit of Council's regulatory oversight role were invaluable and have been very much appreciated.

COUNCIL MEMBERS DURING 2016 FISCAL YEAR

Members Appointed by the Lieutenant Governor in Council

Name	Member of Council Since	Term Expires
Michael Bryant Former Attorney General of Ontario Chair of the Council and Secretary (Toronto, Ontario)	**February 19, 2014**	**February 18, 2018**
Aldo Di Felice President Telelatino Network Inc. (Toronto, Ontario)	**February 11, 2009**	**February 10, 2018**
Lili-Ann Foster Managing Partner of Odgers Berndtson (Ottawa, Ontario)	**October 25, 2006**	**October 24, 2017**
William Greenhalgh Chief Executive Officer Human Resources Professionals Association (Toronto, Ontario)	**December 4, 2013**	**December 2, 2019**
Laura Hantho Advisor (Toronto, Ontario)	**August 28, 2013**	**August 27, 2018**
Shoba Khetrapal Corporate Director (Toronto, Ontario)	**December 3, 2008**	**December 20, 2019**
Ian Shewan Partner Lerners LLP (London, Ontario)	**July 8, 2010**	**July 7, 2018**

Members Appointed by Certified General Accountants Association of Ontario

Name	Member of Council Since	Term Expires
Blake Mercer, FCPA, FCGA, C.Dir Partner Mercer and Mercer (Milton, Ontario)	**October 31, 2014**	**October 31, 2017**

Members Appointed by Chartered Professional Accountants of Ontario

Name	Member of Council Since	Term Expires
Colleen E. Gibb, FCPA, FCA, LPA[3] President Gibb Widdis Chartered Accountants Professional Corporation (Ancaster, Ontario)	**November 1, 2005**	**October 31, 2016**
Ralph T. Neville, FCPA, FCA[3] Consultant Formerly Senior Tax Partner with BDO Dunwoody LLP (Oakville, Ontario)	**November 1, 2005**	**October 31, 2016**
Erik Peters, FCPA, FCA[3] Retired Auditor-General of Ontario (Ottawa, Ontario)	**November 1, 2005**	**October 31, 2016**
Gary van Eyk, CPA, CMA Professional Corporation (St. Catherine's, Ontario)	**November 1, 2014**	**October 31, 2017**
Michael Walke, CPA, CA, LPA[3] Partner Leader, Accounting Consulting Services, National Accounting and Assurance PricewaterhouseCoopers LLP (Toronto, Ontario)	**November 1, 2005**	**October 31, 2016**

[3] Effective November 1, 2016, Colleen Gibb, Ralph Neville, Erik Peters and Michael Walke were succeeded by the following Council Members appointed by CPA Ontario for a one year term expiring on October 31, 2017:

Christie Henderson, FCPA, FCA, LPA, CFP, TEP Managing Partner, Henderson Partners LLP (Oakville, Ontario)	**Naveen Kalia, CPA, CA, LPA** Partner, Group Leader Financial Institutions Audit Practice KPMG (Toronto, Ontario)
William Molson, CPA, CA, CMA, LPA Sole Proprietor (Toronto, Ontario)	**Ben Seto, FCPA, FCA, LPA** Partner, Impact CPAs LLP (Richmond Hill, Ontario)

COUNCIL COMMITTEES

Audit Committee

Members: Ian Shewan (Chair)
Laura Hantho
Erik Peters[4]

The Audit Committee's responsibilities include the review of the Council's financial statements, the Council's risk management processes, systems of internal controls and compliance with applicable laws and regulations. The Audit Committee consists of at least three Members appointed by Council. The majority are Members appointed by the Lieutenant Governor in Council. The Chair, Vice-Chair and the Secretary of the Council may not serve as members of the Audit Committee. The Chair of the Audit Committee is appointed by the Council.

Governance Committee

Members: Lili-Ann Foster (Chair)
Michael Bryant
Shoba Khetrapal
Blake Mercer
Ralph Neville
Gary van Eyk

The Governance Committee's responsibilities include recommendations for committee structure and Council membership and overseeing the process for performance assessment of the Council and its committees, Council Members, the Chair and the Chief Executive Officer.

The Governance Committee consists of at least three Members appointed by the Council. The Chair of the Governance Committee is appointed by the Council.

Council and Committee Meetings

The following is the number of Council and Committee meetings held during the 12 months ended October 31, 2016:

Council	4
Audit Committee	2
Governance Committee	4

[4] Effective December 13, 2016, Naveen Kalia was appointed to succeed Erik Peters

Attendance at Council and Committee Meetings

The following is a summary of individual Member attendance at Council and Committee Meetings held during the 12 months ended October 31, 2016:

Member	Council Meetings Attended	Audit Committee Meetings Attended	Governance Committee Meetings Attended
Michael Bryant[1,2,3]	4 of 4	2 of 2	4 of 4
Aldo Di Felice	4 of 4		
Lili-Ann Foster[3]	3 of 4		3 of 4
Colleen Gibb	3 of 4		
William Greenhalgh	4 of 4		
Laura Hantho[4]	4 of 4	2 of 2	
Shoba Khetrapal[3]	4 of 4		4 of 4
Blake Mercer[3]	3 of 4		3 of 4
Ralph Neville[3]	4 of 4		4 of 4
Erik Peters[4]	3 of 4	2 of 2	
Ian Shewan[4]	4 of 4	2 of 2	
Gary van Eyk[3]	3 of 4		3 of 4
Michael Walke	3 of 4		

1. Chair of Council
2. The Chair of Council attends each Committee meeting
3. Member of Governance Committee
4. Member of Audit Committee

MANAGEMENT DISCUSSION AND ANALYSIS

The following information provides a summary review of the operations and results of the Council for the year ended October 31, 2016. It is intended to assist readers in understanding the operations of the Council. This should be read along with the accompanying financial statements.

The Council is a corporation without share capital that was continued under the Act. The Act was proclaimed into force on November 1, 2005. As a not-for-profit corporation, the Council is exempt from income taxes.

Operations

Up until the previous fiscal year, the operating costs of the Council were funded by the three Designated Bodies. As a result of Unification, the Designated Body assessment fees are now fully funded by CPA Ontario. These fees are set based on the estimated operating expenses of the Council adjusted for an amount to maintain the net assets of approximately 50% of estimated annual operating expenses. These assessment fees were set at $1,100,000 in 2016 ($1,100,000 in 2015).

In addition to the annual assessment fees, Council Standards assessments costs of $468,082 ($546,189 in 2015) were incurred in the process of determining whether the standards and operating policies of CPA Ontario are substantially equivalent to those of the Council and in particular the assessment of the CPA Ontario policies in respect of its new public accounting program. These costs for the 2016 fiscal year also included amounts to complete the third triennial review for CPA Ontario to determine if its operations remained compliant with the Council Standards for governance of its licensed public accountants. All of these costs were billed to CPA Ontario.

The other regular source of revenue is interest income earned from investments, amounting to $17,095 ($16,795 in 2015).

In 2015 the Council also received financial support of $77,970 from the Ministry relating to the engagement of the consulting firm Promontory to undertake a study of how the role of the Council might change as a result of unification. This amount represents one half of the 2015 costs incurred to complete the Promontory study.

The other main expenses relating to the other operations of the Council are salaries and benefits of $640,607, including an adjustment to the CEO compensation for the past three years, ($599,427 in 2015), legal advisory of $149,566 ($116,606 in 2015), office rent of $120,254 ($119,457 in 2015) and Council fees, travel and meetings expenses amounting to $64,769 ($76,475 in 2015). The amount of these latter costs is directly related to the number and length of Council and committee meetings held during the year. The legal advisory expenses increased primarily in connection with the negotiation of the lease for the new office premises that the Council is moving to in December 2016.

Costs for Consultants (before receiving the above noted financial support) decreased to $4,936 in 2016 from $169,521 in 2015 as most of the consulting costs for the Promontory report were performed in 2015. Non-recoverable Standards costs decreased to $29,205 from $44,726 in 2015. In 2015, additional costs were incurred to update the Council Standards.

Legal and investigative costs for hearings and prosecutions were minimal again in 2016 as there have been no new prosecutions initiated in the past two years. Costs for general administrative matters were similar to 2015. Total expenses, excluding the recoverable standards assessment expenses and including the Ministry project funding in 2015, decreased to $1,102,875 from $1,122,651 in 2015.

Cash Flow and Liquidity

The Council's cash flow from operating activities increased by $255,904 (compared to a decrease of $318,258 in 2015). The details for these amounts are set out in the Statement of Cash Flows. The cash flow from investing activities decreased cash by $158,363 in 2016 compared to an increase of $235,955 in 2015. These changes increased the Cash and Equivalents from $548,867 in 2015 to $646,408 in 2016.

As at year-end, the Council had $1,621,892 ($1,374,799 in 2015) in cash and investments.

The Council's net assets are $946,759 in 2016 ($932,539 in 2015). The Council's established policy is to achieve minimum net assets approximating 50% of estimated annual operating expenses.

During 2016, the Council invested its available funds in interest-bearing debt obligations that meet certain eligibility criteria of, or are guaranteed by, a Province of Canada or a Canadian chartered bank.

Financial Outlook

The Council has approved an operating budget, excluding Standards assessments, of $1,300,000 for the 2017 fiscal year, a decrease of $34,000 from the operating budget that was approved for the 2016 fiscal year. The Council remains in a strong financial position while it continues to fulfill its responsibilities to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The annual financial statements and all financial and other information contained in this Annual Report are the responsibility of the management of The Public Accountants Council for the Province of Ontario. Management has prepared the financial statements in accordance with Canadian Accounting Standards for not-for-profit organizations, applying best estimates and judgments based on currently available information. The significant accounting policies are described in note 2 to the financial statements.

Financial information contained in this Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity and reliability of financial information, and has established systems of internal procedural and accounting controls designed to achieve this. In addition, these systems also reasonably ensure that assets are safeguarded from loss or unauthorized use.

The Members of the Council are responsible for ensuring that management fulfills its responsibilities including those for financial reporting and internal control. The Council has created an Audit Committee to help it with these responsibilities. The Audit Committee met with the auditor, both with and without management present, to review the activities of each, as well as to review the financial statements. Tinkham & Associates LLP has been appointed by the Council as auditor to express its opinion on the fair presentation of the financial statements.

Tinkham & Associates has had full and unrestricted access to the Audit Committee and management to discuss matters pertaining to its audit.

The Audit Committee reviews the auditor's performance annually and makes a recommendation to the Members of the Council with respect to its reappointment for the coming year.

Signed: "Keith Bowman"
Keith Bowman
Chief Executive Officer

Signed: "Michael Bryant"
Michael Bryant
Chair

Financial Statements of

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

October 31, 2016

Tinkham & Associates LLP
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INDEPENDENT AUDITOR'S REPORT

To The Public Accountants Council for the Province of Ontario

We have audited the accompanying financial statements of The Public Accountants Council for the Province of Ontario, which comprise the balance sheet as at October 31, 2016 and the statement of operations and changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Public Accountants Council for the Province of Ontario as at October 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

TORONTO, Ontario
December 13, 2016

Licensed Public Accountants

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Balance Sheet

As at October 31	2016	2015
Assets		
Current assets		
Cash and cash equivalents	$ 646,408	$ 548,867
Prepaid expenses	31,606	7,118
	678,014	555,985
Investments (note 3)	975,484	825,932
Capital assets (note 4)	15,913	29,422
	$ 1,669,411	$ 1,411,339
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	$ 42,468	$ 82,745
Due to CPA Ontario	680,184	396,055
	722,652	478,800
Net Assets	946,759	932,539
	$ 1,669,411	$ 1,411,339

Commitments (note 6)

On behalf of the Council:

Michael Bryant

Ian Shewan

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Operations and Changes in Net Assets

Year ended October 31	2016	2015
Revenues		
CPA Ontario assessment fees	$ 1,100,000	$ 1,100,000
Recovery of Standards assessment expenses	468,082	546,189
Ministry of the Attorney General project funding	-	77,970
Investment income	17,095	16,795
	1,585,177	1,740,954
Expenses		
Salaries and benefits	640,607	599,427
Standards assessments	468,082	546,189
Legal advisory	149,566	116,606
Rent	120,254	119,457
Council fees, travel and meetings	64,769	76,475
Office	39,939	39,762
Standards	29,205	44,726
Amortization	16,472	7,490
Legal and other costs of hearings and prosecutions	12,886	1,441
Insurance	12,241	12,473
Audit	12,000	13,243
Consultants	4,936	169,521
	1,570,957	1,746,810
Excess of revenues over expenses (expenses over revenues) for the year	14,220	(5,856)
Net assets, beginning of year	932,539	938,395
Net assets, end of year	$ 946,759	$ 932,539

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Cash Flows

Year ended October 31	2016	2015
Operating activities:		
Cash received from CPA Ontario for assessment fees	**$ 1,280,000**	$ 805,000
Cash received for recovery of assessment expenses	**572,211**	530,913
Cash received from the Ministry of the Attorney General for project funding	**-**	101,700
Cash received from interest	**22,943**	16,795
Cash paid for operating expenses	**(1,619,250)**	(1,772,666)
Net cash provided (used) by operating activities	**255,904**	(318,258)
Investing activities:		
Cash received (paid) from sale (purchase) of investments	**(155,400)**	249,515
Cash paid to purchase capital assets	**(2,963)**	(13,560)
Net cash provided (used) by investing activities	**(158,363)**	235,955
Increase (decrease) in cash	**97,541**	(82,303)
Cash and cash equivalents, beginning of year	**548,867**	631,170
Cash and cash equivalents, end of year	**$ 646,408**	$ 548,867

See accompanying notes to financial statements.

1 Purpose of the organization

The Public Accountants Council for the Province of Ontario ("the Council") is a corporation without share capital that was continued under the Public Accounting Act, 2004 ("the Act"). The Act was proclaimed into force on November 1, 2005. The Council is exempt from income taxes.

The purpose of the Council is to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services. The Council is responsible for:

Developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;

Determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;

Overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and

Maintaining public confidence in public accounting through the appropriate prosecution of offences under the Public Accounting Act, 2004.

The Designated Bodies are the Certified General Accountants of Ontario, the Certified Management Accountants of Ontario, and the Chartered Professional Accountants of Ontario ("CPA Ontario"), formerly known as the Institute of Chartered Accountants of Ontario, and named as such in the Act.

The three Designated Bodies unified their operations under CPA Ontario through two agreements effective April 1, 2014 and July 2, 2014. Under these agreements, CPA Ontario has assumed full responsibility for the funding obligations to the Council of the other two Designated Bodies and for the oversight of all public accountants in Ontario.

2 Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the straight-line basis as follows:

Furniture, equipment and systems	- 10% to 33% annually
Leasehold improvements	- over the term of the initial lease

(b) Investments

Management has elected to value all investments at fair value, which is based on quoted market values.

2 Significant accounting policies, continued

(c) Revenue recognition

In accordance with section 33 of the Act, the Council prescribes the fees that are to be paid by the Designated Bodies to fund the operations of the Council. These fees are based on the Council's annual operating expenditures. The prescribed fees are recognized as revenue in the fiscal year to which the expenses relate.

The Council has retained independent consultants to assist it in determining whether the respective standards of the Designated Bodies are substantially equivalent to the Council's standards. The related recoveries of costs incurred are recognized as revenue when approved as recoverable.

Investment income, including changes in fair values of investments, is recognized in the statement of operations and changes in net assets.

(d) Financial instruments

The Council initially measures its financial assets and liabilities at fair value. Council subsequently measures all its financial assets and financial liabilities at amortized cost, except for its investments in government bonds that are quoted in an active market, which are measured at fair value.

Financial assets measured at amortized cost include cash. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to CPA Ontario.

Council recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(e) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3 Investments

As at October 31	2016	2015
Ontario savings step up bond, interest at 0.60% initially and increasing to 1.50% due June 21, 2021	**$ 501,085**	$ -
Ontario savings step up bond, interest at 1.25% initially and increasing to 3.75% due June 21, 2016	-	230,503
Ontario savings bond, variable interest rate, due June 21, 2016	-	52,049
Ontario savings step up bond, interest at 1.25% initially and increasing to 2.25% due June 21, 2017	-	70,794
Ontario savings step up bond, interest at 1.25% initially and increasing to 2.25% due June 21, 2018	**70,506**	70,438
Ontario savings step up bond, interest at 1.25% initially and increasing to 2.50% due June 21, 2019	**403,893**	402,148
	$ 975,484	$ 825,932

The Ontario Savings Bonds can be sold at market value at any time. Council invests in interest-bearing debt obligations of or guaranteed by a Province of Canada or by a Canadian chartered bank that meet certain specified eligibility criteria. All investments are readily convertible into known amounts of cash. Council does not purchase investments for speculative purposes.

4 Capital assets

As at October 31	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture, equipment and systems	**$ 118,443**	**$ 102,530**	$ 173,693	$ 144,271
Leasehold improvements	**117,172**	**117,172**	117,172	117,172
	$ 235,615	**$ 219,702**	$ 290,865	$ 261,443
Net book value		**$ 15,913**		$ 29,422

5 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are Employer Health Tax payable and payroll withholding taxes payable totaling $15,753 (2015 - $16,190).

6 Commitments

(a) Lease for premises

The lease agreement for the Council's current office space expires December 31, 2016. The Council has entered into a lease agreement for new office space for the period January 1, 2017 to September 30, 2023. The minimum annual lease commitment plus the proportionate share of realty taxes and operating expenses for 2017 will be approximately $95,000.

Minimum annual lease payments, excluding the Council's share of realty taxes and operating expenses required in each of the next five fiscal years are as follows:

2017	$	49,129
2018		55,640
2019		55,640
2020		55,640
2021		55,640

(b) Construction commitment

The Council has entered into a turnkey contract for the construction of leasehold improvements in the new office space which totals approximately $130,000.

7 Financial instruments

The Public Accountants Council for the Province of Ontario is exposed to various risks through its financial instruments which are comprised of cash, investments, accounts payable and accrued liabilities and due to CPA Ontario. The following analysis provides a measure of the Council's risk exposure and concentrations.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Council is exposed to credit risk through its cash and investments.

Amounts on deposit with insured financial institutions greater than $100,000 are not insured.

The Council manages its credit risk by restricting its investments to the financial obligations of governments and major financial institutions.

Liquidity risk

Liquidity risk is the risk that Council will not be able to meet a demand for cash or fund its obligations as they come due. The Council meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

The Council mitigates its exposure to interest rate risk by laddering maturity dates of its interest-bearing investments.

7 Financial instruments (continued)

Market risk (continued)

The primary objective of the Council with respect to its investments is to ensure the security of principal amounts invested, provide a high degree of liquidity, and achieve a satisfactory investment return.

The Council is not exposed to significant currency risk or other price risk.

Changes in risk

There have been no changes in risk exposures from the prior year.

CONTACT INFORMATION

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